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South Carolina  
Division of General Services

# PROCUREMENT AUDIT AND CERTIFICATION

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ORANGEBURG-CALHOUN  
TECHNICAL COLLEGE

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AGENCY

JULY 1, 1986 - FEBRUARY 28, 1989

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DATE



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**State Budget and Control Board**  
DIVISION OF GENERAL SERVICES



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JESSE A. COLES, JR., Ph.D.  
EXECUTIVE DIRECTOR

December 6, 1989

Mr. Richard W. Kelly  
Director  
Division of General Services  
1201 Main Street, Suite 400  
Columbia, South Carolina 29201

Dear Rick:

Attached is the final Orangeburg-Calhoun Technical College procurement audit report and recommendations made by the Office of Audit and Certification. Since no certification above the \$2,500.00 allowed by law was requested, and no action is necessary by the Budget and Control Board, I recommend that this report be presented to them for their information.

Sincerely,

A handwritten signature in dark ink, appearing to read "James J. Forth, Jr.", written over a horizontal line.

James J. Forth, Jr.  
Assistant Division Director

/jlfj

Attachment

ORANGEBURG-CALHOUN TECHNICAL COLLEGE

AUDIT REPORT

JULY 1, 1986 - FEBRUARY 28, 1989

## TABLE OF CONTENTS

	<u>PAGE</u>
Transmittal Letter.....	1
Introduction.....	4
Scope.....	5
Summary of Audit Findings.....	7
Results of Examination.....	10
Conclusion.....	18
College Response.....	19
Follow-up Review.....	20

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*State Budget and Control Board*  
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EXECUTIVE DIRECTOR

December 1, 1989

Mr. James J. Forth, Jr.  
Assistant Division Director  
Division of General Services  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201

We have examined the procurement policies and procedures of Orangeburg-Calhoun Technical College for the period July 1, 1986 through February 28, 1989. As a part of our examination, we made a study and evaluation of the system of internal control over procurement transactions to the extent we considered necessary.

The purpose of such evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code and State and College procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures that were necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of Orangeburg-Calhoun Technical College is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling

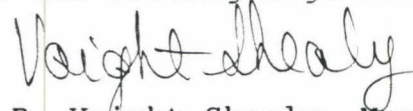
this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal control over procurement transactions as well as our overall examination of procurement policies and procedures were conducted with due professional care. They would not, however, because of the nature of audit testing, necessarily disclose all weaknesses in the system.

The examination did, however, disclose conditions enumerated in this report which we believe to be subject to correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place Orangeburg-Calhoun Technical College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

A handwritten signature in cursive script, reading "Voight Shealy".

R. Voight Shealy, Manager  
Audit and Certification



## INTRODUCTION

The Office of Audit and Certification conducted an examination of the internal procurement operating procedures and policies of Orangeburg-Calhoun Technical College. The examination was made under authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulations.

The examination was directed principally to determine whether, in all material respects, that the procurement system's internal controls were adequate and the procurement procedures, as outlined in the College's Purchasing Policies and Procedures Manual, were in Compliance with the South Carolina Consolidated Procurement Code and its ensuing regulations.



## SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of Orangeburg-Calhoun Technical College and the related policies and procedures manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions. The examination was limited to procurements from local funds, which included federal funds, local contributions and student collections, which is the procurement activity managed completely by the College. As in all South Carolina technical colleges, State funded procurements are managed by the State Board of Technical and Comprehensive Education.

We selected a random sample of procurement transactions for compliance testing for the period July 1, 1986 - February 28, 1989 and performed other audit procedures that we considered necessary in the circumstances to formulate this opinion. Our review of the system included, but was not limited to, the following areas:

- (1) adherence to provisions of the South Carolina Consolidated Procurement Code and accompanying regulations;
- (2) procurement staff and training;
- (3) adequate audit trails and purchase order registers;
- (4) evidences of competition;
- (5) small purchase provisions and purchase order confirmations;
- (6) emergency and sole source procurements;
- (7) source selections;

- (8) file documentation of procurements;
- (9) disposition of surplus property;
- (10) economy and efficiency of the procurement process;  
and,
- (11) approval of the Minority Business Enterprise Plan.

## SUMMARY OF AUDIT FINDINGS

Our audit of procurement at Orangeburg-Calhoun Technical College, hereinafter referred to as the College, produced findings and recommendations in the following areas:

	<u>PAGE</u>
I. <u>Sole Source and Emergency Procurements and Trade-ins</u>	
A. <u>Sole Source Procurements</u>	10
1. <u>Compliance</u>	10
We noted ten procurements which we believe were inappropriately made as sole sources.	
2. <u>Unauthorized Procurements</u>	11
Two sole source procurements were found to be unauthorized.	
B. <u>Emergency Procurements</u>	12
The College made eight emergency procurements during our audit period and failed to solicit competition on any of them.	



## II. Compliance - Procurements

### A. Wrong Vendors Awarded Contracts

12

We found three instances where the wrong vendors were awarded contracts.

### B. Unauthorized Procurements

13

One procurement exceeded the College's procurement authority and is therefore unauthorized. Also, a trade-in was not approved by the Materials Management Officer or reported on the quarterly report.

### C. No Solicitations of Competition

14

One procurement was found to have no solicitations of competition or a sole source or emergency determination.

### D. Tie Bid Inappropriately Resolved

14

One tie bid was noted where the College failed to follow the Procurement Code in determining the award.

### E. Lease Agreement

15

The College signed both the South Carolina Standard Equipment Agreement and the lease agreement offered by the vendor. Also, no written determination was made stating why a lease is more advantageous than an outright purchase.

### III. Missing Documents

15

The supporting documentation for seventeen procurements could not be located by the College.

### IV. Construction

16

One sole source procurement was made in violation of the Manual for Planning and Execution of State Permanent Improvements.

## RESULTS OF EXAMINATION

### I. Sole Source and Emergency Procurements and Trade-ins

We examined the quarterly reports of sole source and emergency procurements and trade-in sales for the period July 1, 1986 through February 28, 1989. This review was performed to determine the appropriateness of the procurement actions taken and the accuracy of the reports submitted to the Division of General Services as required by Section 11-35-2440 of the Consolidated Procurement Code. The following problems were noted.

#### A. Sole Source Procurements

##### 1. Compliance

We noted ten sole source procurements which we believe to be inappropriate.

	<u>P.O.#</u>	<u>Amount</u>	<u>Description</u>
1)	8426	\$ 975.00	Evaluation of Title III program
2)	13783	989.00	Consultant services
3)	13784	2,450.00	Evaluation of Title III program
4)	14343	2,450.00	Evaluation of Title III program
5)	14775	2,277.19	Compressor motor
6)	16700	4,166.48	Video equipment
7)	17795	818.10	In-service consultant
8)	18307	3,600.00	Consultant services
9)	19316	3,817.61	Furniture
10)	19726	1,500.00 + 8% of grant	Consultant services

Regulation 19-445.2105 Subsection B, states, "Sole source procurement is not permissible unless there is only a single supplier.... In cases of reasonable doubt, competition should be solicited."



We recommend that in the future, these procurements be competitively bid.

2. Unauthorized Procurements

We noted two unauthorized sole source procurements. These purchase order numbers were as follows:

<u>P.O.#</u>	<u>Amount</u>	<u>Description</u>
17795	\$818.10	In-service consultant
18294	996.00	Master clock

For both purchase order numbers 17795 and 18294, personnel without the requisite authority to approve sole sources made the procurements. Section 11-35-1560 of the Procurement Code indicates that a procurement may be made as a sole source if the chief procurement officer, the head of a governmental body or a designee of either officer above the level of the purchasing agent determines in writing that the item or service is only available from a single source. Since the Code is so specific about the authority required to make a sole source procurement, determinations must be approved by someone with requisite authority before commitments are made.

Because these procurements are unauthorized and are within the College's certification level, we recommend that ratification be requested from the College President in accordance with Regulation 19-445.2015.

## B. Emergency Procurements

Eight emergency procurements were made by the College during our audit period. Even though in a few instances it may not have been practical to solicit competition, the College failed to solicit competition on any of the eight emergency procurements. These were as follows:

<u>P.O.#</u>	<u>Amount</u>	<u>Description</u>
E1121	\$ 2,589.00	Personal computer
13867	1,119.11	Repairs for diesel injection pump
16583	739.98	Tools
17050	2,507.41	35 ton compressor
17298	686.05	Repairs to tractor
16484 (Invoice#)	1,107.66	Repairs to doors
061587-023 (Invoice#)	912.00	Repairs to a compressor/chiller
71987-026 (Invoice#)	1,116.00	Labor to replace 35 ton compressor

Regulation 19-445.2110 Subsection E, states in part, "...such competition as is practicable shall be obtained." We recommend that the College adhere to this regulation. In doing so, most of these procurements noted above would be eliminated as emergency procurements since solicitations of two telephone quotes for each would have met the competition requirements of the Procurement Code.

## II. Compliance - Procurements

### A. Wrong Vendors Awarded Contracts

We found three instances where the College awarded contracts to the wrong vendors. These transactions occurred on the following purchase orders.

	<u>P.O.#</u>	<u>PO Amount</u>	<u>Low Bid</u>	<u>Difference</u>	<u>Description</u>
1)	17644	\$1,363.95	\$1,317.75	\$ 46.20	Video camcorder
2)	19171				
&	19172	1,745.48	1,629.32	116.16	Wallmount ash urns
3)	18097	2,004.00	1,876.50	127.50	Imprinted pens & change purses

For items 1 and 2 above, the College rejected the low bidder even though the bidders were responsive to the solicitations. Once the bids were received by the College, certain features of the items were cited as the reason for bidders acceptance/rejection. The features for bid acceptance should have been included in the solicitations so every vendor would have a fair opportunity to bid on the same item. In the two instances above, vendors were not given a fair and equal opportunity in the acceptance of their bids.

For item 3 above, the College made a clerical error in determining the award.

We recommend the College afford every vendor a fair and equal opportunity by better specifying bid requirements. If vendors meet the bid requirements, they must be considered responsive to the solicitations. If the bid specifications are found to be inadequate, the solicitations should be cancelled, the specifications should be redeveloped and bids should be resolicited.

#### B. Unauthorized Procurement

One procurement was found to be unauthorized because it exceeded the College's authority. The procurement had a trade-in item included and the College failed to take this value into consideration in determining the appropriate procurement methodology. The purchase order number was 18110 for a compressor which amounted to \$2,589.57 (excluding tax) including the trade-in value. Regulation 19-445.2035 requires for procurements from \$2,500.00 to \$4,999.99 that a minimum of three sealed bids be solicited. Since the College's level of authority



is \$2,499.99, this procurement should have been handled by the Materials Management Office.

Additionally, the trade-in value of the item above was \$726.15. Regulation 19-445.2150, Subsection E, requires that when a trade-in value exceeds \$500.00, the governmental body shall refer the matter to the Materials Management Officer. The College failed to do so. Also, under Article 15, Section 11-35-3820, the Code requires that all trade-in sales regardless of value be reported to the Materials Management Officer. The College failed to do this also.

We recommend that the procurement noted above be submitted to the Materials Management Office for ratification in accordance with Regulation 19-445.2015. On future procurements, trade-in values must be considered in determining the procurement methodology. Finally, an amended report should be sent to the Materials Management Office adding this trade-in sale.

C. No Solicitations of Competition

One procurement was found to have no solicitations of competition or a sole source or emergency determination. Voucher number 7844 for student liability insurance totalled \$3,746.25. Since this procurement the College has obtained this insurance from the State Insurance Reserve Fund.

D. Tie Bid Inappropriately Resolved

On purchase order 19265 in the amount of \$2,000.00 for catering services, the College resolved a tie bid in an inappropriate manner. Section 11-35-1520 paragraph (9) of the Code requires that when two or more South Carolina bidders from the same taxing jurisdiction are tied in price while otherwise

meeting all of the required conditions, awards are determined as follows:

(d) Tie bids involving South Carolina firms in the same taxing jurisdiction as the governmental body's consuming location must be resolved by the flip of a coin in the office of the chief procurement officer or the head of a purchasing agency witnessed by all interested parties.

The College simply chose one vendor over another even though all requirements of the solicitation were met by both vendors. We recommend that the College adhere to the Procurement Code when resolving tie bids.

#### E. Lease Agreement

The College entered into a lease agreement on purchase order 18304 for \$115,300.37 and signed both the South Carolina Standard Equipment Agreement and the lease agreement offered by the vendor. Regulation 19-445.2150 Subsection F states, "the State of South Carolina Standard Equipment Agreement will be used in all cases unless modifications are approved by the Director of the Division of General Services or his designee." The College should never sign a vendor's lease agreement unless specific approval is given to sign this lease agreement. Also required in the regulation is a written justification by the procurement officer stating why a lease is more advantageous than an outright purchase. This justification was not prepared.

We recommend that the College adhere to the requirements of this regulation.

### III. Missing Documents

The supporting documentation for seventeen procurements could not be located by the College. Therefore, we were unable

to audit these transactions. These supporting documents include but are not limited to the entire sole source activity for the period July 1, 1986 through September 30, 1986 which is 11 transactions totalling \$68,654.74. The missing documents were as follows:

	<u>Date of Transaction</u>	<u>P.O.#</u>	<u>Amount</u>
1)	7/15/86	13086	\$ 720.00
2)	7/17/86	S97	900.00
3)	7/21/86	13140	955.55
4)	8/29/86	S407	4,533.90
5)	8/19/86	13241	828.14
6)	8/15/86	13222	3,389.40
7)	8/19/86	13236	1,847.16
8)	8/20/86	13275	851.55
9)	8/19/86	13240	3,422.48
10)	8/27/86	13308	911.61
11)	8/27/86	S390	50,295.00
12)	8/11/86	2047(Check#)	1,440.00
13)	9/09/86	2234(Check#)	1,231.00
14)	9/10/86	2238(Check#)	1,774.63
15)	10/03/86	2604(Check#)	2,046.47
16)	2/13/87	4741(Check#)	1,214.20
17)	6/18/87	6431(Check#)	954.29
	TOTAL		\$77,315.38

With the absence of documentation, we must consider each of these procurements in violation of the Procurement Code.

The first eleven documents listed are procurements made as sole sources. The other six transactions came from our random sample. All of the missing documents are for the 1986/87 fiscal year. None were found missing after this time period.

We recommend that College insure that documents are retained for audit purposes.

#### IV. Construction

On purchase order 17628, the College procured the installation of an energy management system for \$25,000.00 as a



sole source even though this was part of a permanent improvement project. According to the Manual For Planning and Execution of State Permanent Improvements, Chapter VII, Section 70.05, sole source procurements made toward the completion of a permanent improvement project must be approved by the State Engineer.

Prior to contracting for a sole source procurement, the agency shall in written form notify the State Engineer's Office of this determination or method of procurement through submission of one (1) original of:

Form SE-550, Request for Sole Source Procurement

Within ten (10) days, the State Engineer's Office will provide a written response.

We recommend the College adhere to this section of the manual. Also, this sole source procurement should be reported to the State Engineer's Office.

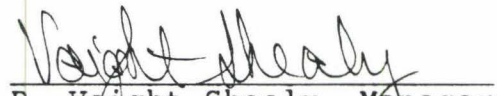
### CONCLUSION

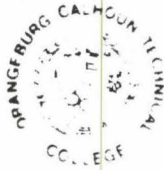
We must state our concern over the number and variety of exceptions noted in this report. It is obvious that Orangeburg-Calhoun Technical College must take immediate action to effect compliance with the South Carolina Consolidated Procurement Code and regulations.

Corrective action should be completed by September 30, 1989. Prior to that time, we will perform a follow-up review to determine that this has been done.

Subject to this corrective action, and since Orangeburg-Calhoun Technical College has not requested procurement certification, we recommend that they be allowed to continue procuring all goods and services, consultant services, construction services and information technology up to the basic level of \$2,500.00 as allowed by the Consolidated Procurement Code and regulations.

  
Robert J. Aycock, IV  
Audit Supervisor

  
R. Voight Shealy, Manager  
Audit and Certification



## ORANGEBURG-CALHOUN TECHNICAL COLLEGE

Accredited by The Southern Association of Colleges and Schools

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October 16, 1989

Mr. R. Voight Shealy, Manager  
Audit and Certification  
State Budget and Control Board  
Division of General Services  
1201 Main Street, Suite 600  
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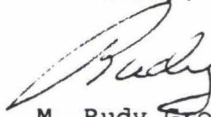
Subject: 1989 Procurement Audit at Orangeburg-Calhoun Technical College

Dear Mr. Shealy:

We have reviewed the draft procurement audit report for Orangeburg-Calhoun Technical College dated September 27, 1989. The draft accurately incorporates the changes that were discussed in our recent meeting. Accordingly, we do not take issue with the audit.

Attached is a copy of the request for ratification that was submitted to the Materials Management Office. If additional action is required, please notify my office.

Sincerely,

  
M. Rudy Groomes  
President

Attachment

MRG:LDL/seb

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**State Budget and Control Board**  
DIVISION OF GENERAL SERVICES



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JESSE A. COLES, JR., Ph.D.  
EXECUTIVE DIRECTOR

December 1, 1989

Mr. James J. Forth, Jr.  
Assistant Division Director  
Division of General Services  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201

Dear Jim:

We have returned to Orangeburg-Calhoun Technical College to determine the progress made toward implementing the recommendations in our audit report covering the period of July 1, 1986 - February 28, 1989. During this visit, we followed up on each recommendation made in the audit report through inquiry, observation and limited testing.

We observed that the College has made substantial progress toward correcting the problem areas found and improving the internal controls over the procurement system. With the changes made, the system's internal controls should be adequate to ensure that procurements are handled in compliance with the Consolidated Procurement Code and ensuing regulations.

Additional certification was not requested. Therefore we recommend that the College be allowed to continue procuring all goods and services, construction, information technology and consulting services up to the basic level as outlined in the Procurement Code.

Sincerely,

A handwritten signature in cursive script, reading "R. Voight Shealy".

R. Voight Shealy, Manager  
Audit and Certification

/jlj



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